

Message Text

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ACTION EB-07

INFO OCT-01 EA-06 ISO-00 IGA-01 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PM-03 H-02 L-02

NSC-05 PA-01 PRS-01 SS-15 USIA-06 AGR-05 /084 W

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P R 021121Z APR 75

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC PRIORITY 3186

INFO AMEMBASSY BANGKOK

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E.O. 11652: N/A

TAGS: ECON, LA

SUBJ: WEEKLY WCONOMIC SITUATION REPORT

BEGIN SUMMARY. TOTAL FOREIGN EXCHANGE SALES WERE \$342,000 FOR WEEK ENDING MAR 82. FREE MARKET RATE FOR DOLLARS HAS FLUCTUATED DURING PAST WEEK, WHILE USAID COST-OF-LIVING INDEX INCREASED marginally. NORTH VIETNAM CONTINUES TO SEND AID COMMODITIES TO PAKSANE. JAPANESE COMMERCIAL DELEGATION EXPLORES POSSIBILITIES FOR EXPLOITATION OF LAO MINERALS. PGNU DEVALUSE KIP TO 750 KIP PER DOLLAR AND ICREASES FINANCIAL TRANSFER TAX TO 450 KIP PER DOLLAR. IMPLEMENTING REGULATIONS STILL BEING PREPARED. GOVERNMENT RAISES RETAIL PRICES FOR PETROLEUM PRODUCTS SHARPLY. PRIMARY SCHOOL TEACHERS IN VIENTIANE WENT ON STRIKE ARP 1. END SUMMARY.

1. TOTAL FOREIGN EXCHANGE SOLD THROUGH BANKS DURING WEEK ENDING MAR 28 WAS \$342,000, DOWN SIGNIFICANTLY FROM PREVIOUS WEEKLY AVERAGE OF 494,000 DUE TO LACK OF APPROVALS OF FOREIGN EXCHANGE APPLICATIONS BY FOREIGN EXCHANGE AUTHORIZING COMMISSION IN ANTICIPATION OF LIMITED OFFICIAL USE

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DEVALUATION. OF FX SOLD, 30 PERCENT WAS FOR TETROLEUM

PRODUCTS, 13 PERCENT FOR INDUSTRIAL CHEMICALS, AND 12 PERCENT FOR ANIMAL FEED.

2. THE FREE MARKET RATE FLUCTUATED CONSIDERABLY DURING PAST WEEK, REFLECTING UNCERTAINTY IN BUSINESS COMMUNITY OVER TIMING, GTURE, AND DEGREE OF GOVERNMENT DEVALUATION AND ACCOMPANYING MEASURES. ON MAR 28, RATE AT WHICH MERCHANTS AND OTHER FX DEALERS WERE BUYING DOLLARS HAD DECLINED TO APPROXIMATELY 1,300 KIP PER DOLLAR, DOWN FROM 1,430 KIP PER DOLLAR MAR 26. RATE HAS GRADUALLY INCREASED, AND ON APR 1 MERCHANTS AND OTHER DEALERS WERE BUYING FOR APPROX 1,430 KIP AND SELLING FOR 1,450. BAHT WAS BEING BOUGHT FOR 7,050 KIP PER 100 BAHT, SELLING FOR 7,150 KIP PER 100 BAHT. DOLLARS NOW ARE REPORTEDLY MORE DIFFICULT TO BUY IN LARGE QUANTITIES THAN SEVERAL WEEKS AGO, REFLECTING UNCERTAINTY ABOUT ECONOMIC EFFECTS OF DEVALUATION.

3. USAID COST-OF-LIVING INDEX INCREASED marginally DURING PAST WEEK, REFLECTING PRIMARILY PRICE INCREASES IN FISH AND SEVERAL VEGTABLES, OFFSET TO SOME DEGREE BY DECLINE IN PRICE OF WHITE RICE, CONDENSED MILK AND SUGAR. USAID INDEX ON MAR 31 SHOWED FOLLOWING CHANGES:

	PERCENTAGE CHANGE SINCE	
	MAR 24	END CY 74
GENERAL INDEX	0.7	6.8
RICE INDEX	(-1.2)	10.0
NON-RICE INDEX	1.1	6.0

4. WIDER VARIETY OF COMMODITY AID FROM NORTH VIETNAM NOW ARRIVING IN PAKSANE, WITH ARRIVALS OF CLOTH AND PEPPER SAUCE AS WELL AS CEMENT AND RICE. INFORMATION AVAILABLE TO MISSION IS THAT THROUGH MAR 27 AT TOTAL OF 5,145 MT HAD ARRIVED, OR 852 MT ADDITIONAL SINCE MAR 11. OF TOTAL ARRIVALS, 2,782 MT WAS CEMENT, 2,121 MT RICE, 239 MT CLOTH, AND 3 MT PEPPER SAUCE (SEE VTE 1937).

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VERNMENT HAS GRANTED AUTHORIZATION FOR INDIVIDUALS TO PURCHASE COMMODITIES DIRECTLY FROM STORAGE FACILITY LIMITED OFFICIAL USE

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IN PAKSANE (RATHER THAN RETAIL OUTLETS IN VIENTIANE) AROUND THERE HAVE BEEN LIMITED PURCHASES.

5. ACCORDING TO LOCAL PRESS THE JAPANESE COMMERCIAL ELEGATION WHICH DEPARTED LAOS MAR 26 (VTE 2131), EXPLORED POSSIBILITIES FOR EXPLOITING LAO MINERALS. IN AN INTERVIEW WITH LOCAL NEWS REPORTER, MEMBER OF TEAM STATED THAT EXPLOITATION OF LAO MINERALS SHOULD

BE DONE IN TWO STEPS, WITH CONSTRUCTION OF SMALL AND MEDIUM-SIZED FACTORIES IN LAOS TO MEET LOCAL NEEDS, FOLLOWED BY CONSTRUCTION OF LARGER FACTORIES IN JAPAN TO PROCESS EXPORTED MINERALS.

6. MINISTRY OF FINANCE COMMUNIQUE ISSUED MAR 31 ANNOUNCED IMMEDIATE DEVALUATION OF KIP. MAIN POINTS OF COMMUNIQUE ARE:

A. OFFICIAL RATE OF EXCHANGE RAISED FROM 600 KIP PER DOLLAR TO 750 KIP PER DOLLAR. OFFICIAL RATE APPLICABLE TO GOVERNMENT AND STUDENT EXPENSES ABROAD, AND TO IMPORTS OF FERTILIZERS, INSECTICIDES, SEEDS AND FARM IMPLEMENTS.

B. ALL OTHER COMMERCIAL IMPORTS APPROVED BY THE FOREIGN EXCHANGE AUTHORIZING COMMISSION (FEAC) TO BE PAID FOR AT THE 1200 RATE, I.E., THE OFFICIAL RATE PLUS FINANCIAL TRANSFER TAX (FTT) OF KIP 450.

C. EXPORT PROCEEDS MUST BE SOLD 100 PERCENT TO NATIONAL BANK OF LAOS AT OFFICIAL EXCHANGE RATE PLUS EXPORT PREMIUM OF 450 KIP PER DOLLAR, I.E., AT KIP 1200 RATE.

D. MOST IMPLEMENTING DECREES STILL TO BE ISSUED, INCLUDING INSTRUCTIONS TO COMMERCIAL BANKS, AND SOME ISSUES HAVE NOT YET BEEN RESOLVED.

7. AS PART OF THE EXCHANGE REFORM MEASURES, RETAIL PRICES OF PETROLEUM PRODUCTS WERE INCREASED COUNTRY-WIDE EFFECTIVE MAR 31. PRICE INCREASES APPEAR TO BE SUFFICIENTLY SIGNIFICANT TO EFFECTIVELY HALT ANY SIGNIFICANT FLOW OF PETROLEUM PRODUCTS TO THAILAND. FORMER AND NEW RETAIL PRICES IN VIENTIANE ARE AS FOLLOWS (IN KIP PER LITER):

	FORMER	CURRENT
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GAS, REGULAR	142	228
GAS, SUPER	155	238
KEROSENE	120	180
DIESEL FUEL	136	167

PRICES IN OTHER LAO CITIES RANGE FROM 3 TO 13 PERCENT ABOVE VIENTIANE PRICES. PRICES OF LUBRICANTS WILL BE ANNOUNCED SOON.

8. PRIMARY GRADE SCHOOL TEACHERS IN SCHOOL DISTRICT COVERING SOUTHERN HALF OF VIENTIANE (VIENTIANE SOUTH) WENT ON STRIKE APRIL 1. LOCAL PRESS REPORTS THAT STRIKERS (REPORTEDLY APPROXIMATELY 900 TEACHERS INVOLVED) SUBMITTED LIST OF REQUESTS TO MINISTRY OF EDUCATION ON MAR 19 WHICH INCLUDED FREE HOSPITALIZATION FOR TEACHERS AND FAMILY MEMBERS; REDUCTION IN NUMBER OF TEACHING HOURS

(FROM 30 HOURS PER WEEK TO FXT HOURS); INCREASED STATUS, HIGHER GRADE STRUCTURE, AND MORE RAPID PROMOTION; AND ESTABLISHMENT OF COOPERATIVES FOR TEACHERS (PRESUMABLY FOR PURCHASES OF FOOD AND AOTHER COMMODITIES). MINISTRY OF EDUCATION OFFICIALS STATED THATNBOO LITTLE TIME WAS GIVEN BY STRIVKERS FOR MINISTRY CONSIDERATION OF STRIKER'S DEMANDS, AND DEMANDS ARE STILL UNDER REVIEW. A MEETING BETWEEN STRIKERS AND MINISTRY OF EDUCATION OFFICIALS IS SCHEDULED FOR APRIL 2.

9. DECONTROL FOLLOWING 4/2/76.
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